

**TRI CONNECTIONS, INC.**

**FINANCIAL STATEMENTS  
AND REPORTS IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***

**FOR THE YEAR ENDED JUNE 30, 2006**

**TRI CONNECTIONS, INC.**  
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**JUNE 30, 2006**

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CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION

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**INDEPENDENT AUDITOR'S REPORT**

August 25, 2006


Board of Directors  
Tri Connections, Inc.  
Provo, UT

We have audited the accompanying statement of financial position of Tri Connections, Inc. (a nonprofit organization) as of June 30, 2006, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Tri Connections, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tri Connections, Inc. as of June 30, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 25, 2006 on our consideration of Tri Connections, Inc.'s internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

  
GILBERT & STEWART  
Certified Public Accountants

**TRI CONNECTIONS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2006**

**ASSETS**

**Current Assets:**

Cash	\$ 230,980
Cash Restricted for Semiannual Bond Payment	27,231
Receivables:	
State Contracts	168,199
Client Fees	3,503
Other	4,142
Prepaid Expense	5,693
Total Current Assets	<u>439,748</u>

**Property and Equipment:**

Land	100,746
Office Building	450,340
Furniture and Equipment	167,178
Accumulated Depreciation	(233,480)
Total Property and Equipment	<u>484,784</u>

**Other Assets:**

Restricted Cash - Debt Reserve Funds	50,000
Deposits	2,500
Total Other Assets	<u>52,500</u>

Total Assets	<u><u>\$ 977,032</u></u>
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**LIABILITIES AND NET ASSETS**

**Current Liabilities:**

Accounts Payable	\$ 12,331
Accrued Payroll	80,412
Compensated Absences Liability	3,662
Payroll Tax Liabilities	6,554
Accrued Interest	14,582
Current Portion of Long-Term Debt	15,000
Total Current Liabilities	<u>132,541</u>

Long-Term Debt, less Current Portion	<u>490,000</u>
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Total Liabilities	622,541
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**Net Assets:**

Unrestricted	<u>354,491</u>
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Total Liabilities and Net Assets	<u><u>\$ 977,032</u></u>
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*The accompanying notes are an integral part of these financial statements.*

**TRI CONNECTIONS, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**Unrestricted Net Assets**

**Support and Revenue:**

State Contracts	\$ 1,877,613
Local Government Contracts	14,491
Client Rent	6,497
Other Revenue	50,650
Total Unrestricted Support and Revenue	<u>1,949,251</u>

**Expenses:**

Program Services:

Community Supports	722,484
Supportive Living	213,175
Supported Employment	143,681
Family Support	111,713
Day Support	378,150
Summer Camp	39,691

Supporting Services:

General and Administrative Costs	339,915
Total Expenses	<u>1,948,809</u>

Increase (Decrease) in Unrestricted Net Assets	442
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Net Assets - Beginning of Year	<u>354,049</u>
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Net Assets - End of Year	<u><u>\$ 354,491</u></u>
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*The accompanying notes are an integral part of these financial statements.*

**TRI CONNECTIONS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	Program Services						Supporting Services	
	Community Supports	Supportive Living	Supported Employment	Family Support	Day Support	Summer Camp	Administrative	Total
Wages	\$ 598,660	\$ 175,689	\$ 114,150	\$ 90,673	\$ 263,092	\$ 30,584	\$ 109,826	\$ 1,382,674
Benefits	58,655	17,793	17,978	10,562	27,936	1,920	28,129	162,973
Professional Fees	25,308	5,335	4,481	2,463	9,889	1,241	25,872	74,589
Supplies	507	57	-	114	2,644	3,275	7,452	14,049
Occupancy	16,308	2,482	769	1,064	6,241	613	52,657	80,134
Furniture and Equipment	450	53	-	-	82	-	25,922	26,507
Travel	17,147	10,718	5,817	6,634	24,108	1,490	991	66,905
Conferences	120	-	170	-	170	-	3,540	4,000
Communication	50	-	-	-	-	142	23,682	23,874
Depreciation	1,743	534	249	178	10,423	-	5,247	18,374
Miscellaneous	3,536	514	67	25	497	426	50,761	55,826
Interest	-	-	-	-	33,068	-	5,836	38,904
Totals	\$ 722,484	\$ 213,175	\$ 143,681	\$ 111,713	\$ 378,150	\$ 39,691	\$ 339,915	\$ 1,948,809

*The accompanying notes are an integral part of these financial statements.*

**TRI CONNECTIONS, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

<b>Cash Flows from Operating Activities:</b>	
Increase (Decrease) in Net Assets	\$442
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:	
Depreciation	18,374
(Increase) Decrease in Receivables	(2,584)
(Increase) Decrease in Prepaid Expense	4,023
Increase (Decrease) in Accounts Payable	666
Increase (Decrease) in Accrued Payroll	9,556
Increase (Decrease) in Compensated Absences	619
Increase (Decrease) in Payroll Tax Liabilities	768
Increase (Decrease) in Accrued Interest	(282)
Net Cash Provided (Used) by Operating Activities	<u>31,582</u>
<b>Cash Flows from Investing Activities:</b>	
Purchase of Furniture and Equipment	(8,297)
<b>Cash Flows from Financing Activities:</b>	
Payments on Long-term Debt	<u>(15,000)</u>
Net Increase (Decrease) in Cash	8,285
Cash - Beginning of Year	<u>299,926</u>
Cash - End of Year	<u><u>\$ 308,211</u></u>
<b>Supplemental Data:</b>	
Interest Paid	\$ 39,463

*The accompanying notes are an integral part of these financial statements.*

**TRI CONNECTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENT**  
**JUNE 30, 2006**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization – Tri Connections, Inc., (the Organization), is a Utah nonprofit organization, which incorporated June 24, 1991. The Organization provides services to individuals who have developmental disabilities. The Organization maintains the following program services: 1) community supports, 2) supportive living, 3) supported employment, 4) family support, 5) day support and 6) summer camp.

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Support and Revenue – The Organization receives the majority of its support from state contracts. These funds are restricted for purposes in accordance with the terms of the contract with the State of Utah, Department of Human Services, Division of Services for People with Disabilities.

Contributions – The Organization classifies its net assets as unrestricted, temporarily restricted, or permanently restricted. The Organization reports gifts of cash and other assets as restricted if they are received with donor stipulations that limit the use of the donated assets for time or purpose. When a donor restriction expires, that is, when the stipulated time restriction or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Organization reports gifts of property and equipment as unrestricted unless explicit donor stipulations specify how the donated assets must be used.

Receivables – Receivables are recorded with no provision for bad debts as the full amount is expected to be collected. The majority of receivables represent services performed for which payments are due from the State of Utah.

Expense Allocation – The costs of providing various programs and supporting services have been summarized on a functional basis in the statements of activities and functional expenses. Direct costs are charged to programs. General and indirect costs are allocated to programs and administrative costs.

Property and Equipment – Property and equipment are stated at cost. Donated equipment is stated at fair market value at the date of donation. Depreciation is calculated on the straight-line method over estimated useful lives of 5 to 15 years for furniture and equipment and 40 years for the office building. Generally, assets over \$1,000 are capitalized while those under \$1,000 are expensed when acquired.

Cash and Cash Equivalents – The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents.



**TRI CONNECTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENT**  
**JUNE 30, 2006**

**NOTE A – SUMMARY (*Continued*)**

Estimates – The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – The Organization is exempt from federal income taxes under section 501 (c) (3) of the Internal Revenue Code and is classified as a public charity. The Organization is also exempt from state income and sales taxes.

**NOTE B – ECONOMIC DEPENDENCY**

The Organization receives the majority of its revenues as a service provider under contracts with the State of Utah, and is economically dependent on the continuation of these revenue sources. The Organization currently limits its services to people within the state of Utah.

**NOTE C – CONCENTRATION OF CREDIT RISK**

Cash includes amounts on deposit with local financial institutions. The June 30, 2006 book cash balance was \$307,269. The bank balance as of June 30, 2006 was \$325,479, of which \$100,000 is covered by FDIC insurance and \$54,392 is covered by SIPC.

**NOTE D – RESTRICTED ASSETS**

On April 1, 1997 the Organization entered into a bond agreement with a nonprofit organization of the State of Utah named the UARF 501(c) (3) Trust to finance the construction of a new office building. The office building was completed in December 1997. Additional tax exempt financing of \$50,000 was established at the same time. A temporarily restricted debt reserve fund is held in the trust by Zions Bank. The reserve account will be used to pay Tri Connection's share of principal on the 1997 Series UACS Tax Exempt Financing Bond. Principal payments will be made in August 2012 (\$5,208) and August 2022 (\$44,792).

The cash restricted for semiannual bond payment consists of monthly principal and interest deposits in Zions Bank on both the 1997 Series Clearfield City, Utah Mortgage Revenue Bonds and the 1997 Series UACS Tax Exempt Financing Bonds. Semiannually, the payments are made on the debts from the cash deposits in Zions Bank.

**TRI CONNECTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENT**  
**JUNE 30, 2006**

**NOTE E – LONG-TERM DEBT**

Long-term debt at June 30, 2006 consists of the following:

	<u>2006</u>
\$535,000 1997 Series Clearfield City, Utah Mortgage Revenue Bonds, principal due annually and semiannual interest at 7.70%, secured by building	\$455,000
\$50,000 1997 Series UACS Tax Exempt Financing Bonds, principal due 2012 and 2022 and semiannual interest at 7.70%, secured by escrow funds	<u>50,000</u>
Total long-term debt	505,000
Less current portion	<u>( 15,000)</u>
Long-term portion	<u>\$490,000</u>

Principal maturities are as follows over the next five years ending June 30:

2006	\$ 15,000
2007	15,000
2008	15,000
2009	15,000
2010	20,000
Thereafter	<u>425,000</u>
	<u>\$ 505,000</u>

**NOTE F – CLOSURE OF SALT LAKE CITY OFFICE**

As of June 1, 2006, the Organization announced its intent to close all operations in their Salt Lake office. Operations closed entirely in Salt Lake effective July 1, 2006.

**TRI CONNECTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENT**  
**JUNE 30, 2006**

**NOTE G – LEASE COMMITMENTS**

The Organization signed a new lease on an office suite in Provo, Utah on July 1, 2004. The lease is for three years and renewable after the three years are up. There is a copier lease for a 48 month term ending November 3, 2009. There is another copier lease for a 60 month term ending April 3, 2011. Future minimum payments committed to by the Organization are as follows over the next five years ending June 30:

2007	\$ 32,088
2008	9,572
2009	9,572
2010	7,326
2011	<u>4,652</u>
Total	<u>\$ 63,210</u>

Lease expense for the current year is \$58,634.

# **GILBERT & STEWART**

**CERTIFIED PUBLIC ACCOUNTANTS  
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## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
Tri Connections, Inc.  
Provo, UT

August 25, 2006

We have audited the financial statements of Tri Connections, Inc. (a nonprofit organization) as of and for the year ended June 30, 2006, and have issued our report thereon dated August 25, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered Tri Connections, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

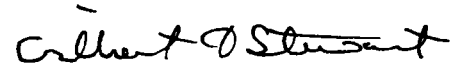
### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Tri Connections, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our

tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Tri Connections, Inc. in a separate letter dated August 25, 2006.

This report is intended solely for the information and use of management, the board of directors and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "Gilbert & Stewart".

GILBERT & STEWART  
*Certified Public Accountant*